

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 2692 - SB 2895**

March 1, 2010

**SUMMARY OF BILL:** Prohibits a health insurance plan that contracts with a pharmacy benefit management plan to charge more than one-half the retail cost of a prescription drug or medical device as a co-pay.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$522,000**

**Increase Local Expenditures – Exceeds \$100,000**

**Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111):** Such legislation would result in an increase in the cost of health insurance premiums which exceeds \$100,000 for plans to cover any reduction in co-pays as a result of co-pays for prescription drugs or medical devices being limited to no more than one-half the retail cost.

**Assumptions:**

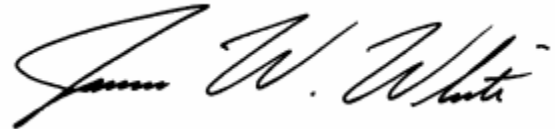
- The Department of Commerce and Insurance will review and approve forms, policies, certificates, and contracts to ensure compliance by health insurance plans and pharmacy benefit management plans. Any cost can be accommodated within existing resources without an increased appropriation or reduced reversion.
- According to the Department of Finance and Administration, there will be an increase in expenditures for the State, Local Education, and Local Government Health Plans.
- Based on drug utilization for the state sponsored public sector plans for the first nine months of 2009, the Department estimates an annualized increase in expenditures of \$440,000 for the State Employee Health Plan, \$425,000 for the Local Education Plan, and \$100,000 for the Local Government Plan.
- The State pays for approximately 80 percent for state employees resulting in an increase in state expenditures of \$352,000 (\$440,000 x 80%). The state is also responsible for approximately 40 percent of the Local Education Plan through the BEP resulting in an increase in state expenditures of \$170,000 (\$425,000 x 40%).
- Any local government health plans that are not part of the state plan will incur an estimated increase in expenditures which will exceed \$100,000 to cover the reduction of co-pays.

**HB 2692 - SB 2895**

- The provisions of the bill will not impact the TennCare pharmacy program.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and a distinct "W".

James W. White, Executive Director

/kml